

BUILDING A LONG-TERM PARTNERSHIP

TECHSHOP & EARLY GROWTH FINANCIAL SERVICES

TechShop CEO Mark Hatch decided early on to outsource TechShop's financial management. He knew it was not a core competency of his senior management team, and that the company couldn't afford to spend its time developing the required skills in-house as it focused on executing a national expansion strategy.

The fact that TechShop's business model would involve multiple locations also reinforced the need to have credible numbers to use in evaluating investment opportunities and making expansion decisions.

After unsuccessfully working with a part-time outsourced financial services provider who lacked expertise with startups, Hatch looked for a partner who was familiar with – and could handle – the unique business and financial challenges startups face.



About TechShop

TechShop is a membership-based, do-it-yourself machine workshop and fabrication studio that offers its members access to high quality machines, tools and software as well as classes, workshops, instruction and meet-ups that enable them to pursue discrete projects and support their entrepreneurial innovation.

From its first location in Silicon Valley in 2006, TechShop has expanded to eight U.S. cities.



From first steps to a close partnership

That's where Early Growth Financial Services (EGFS) came in. EGFS' relationship with TechShop began in 2010. The initial brief was to handle tactical day-to-day accounting including:

- Managing QuickBooks
- Putting together high-quality financials
- Delivering Board level financial report packages

Over the years, what started as a clearly delimited role has evolved into a close partnership.

EGFS' ability to scale, growing with TechShop as it expanded from a single northern California location with 30 employees to multiple workshops -- in northern California (3), Arizona (1), Detroit (1), LA (in development), Pittsburgh (1), Washington, D.C. (1), and Austin (1) -- and 7,000 members, was a big factor in Hatch's decision to engage EGFS, and has been a key underpinning of TechShop's success.

Hatch describes how at the relationship's outset, EGFS sat down with the team, demonstrating flexibility by taking the time to fully understand the company's "cutting edge" funding strategy.

Ultimately, this buy-in from the EGFS team enabled TechShop to take advantage of a little-used provision in California's crowdfunding regulations to raise both equity and debt.

Not only did EGFS buy into the strategy, its team created and put in place both the financial system and the infrastructure to manage it. Hatch credits this expertise as critical in enabling TechShop to successfully complete its first institutional capital raise from AutoDesk. Among other things, EGFS handled documentation, financial modelling, and sensitivity analysis for the transaction.

"I don't view EGFS as an outsourced firm; I view it as part of the management team."

– Mark Hatch, CEO of TechShop

With EGFS now managing cash flow, participating in partner presentations and filling in for Hatch in negotiations and key meetings (EGFS CFO Mike Hilberman led the final due diligence meetings for TechShop's five store international licensing deal with Adéo / Leroy Merlin), it's clear that CEO Hatch has a "huge level of confidence" in the relationship and that EGFS has seamlessly become part of the TechShop team.



“Bringing in EGFS as a financial partner was one of the best decisions we ever made.” – Mark Hatch

Whether it involves managing through a cash crunch, handling reorganizations, or running time-sensitive scenario analyses that model the cash flow impacts of potential new sites, TechShop has come to rely on EGFS’ high-quality professional management capabilities including:

- Sophisticated financial modelling
- Cash management
- Risk assessment and mitigation for strategic partnerships, sales programs and major investment decisions
- Contract negotiations
- Strategic financial advice

Hatch sums up the relationship in this way, “EGFS has become a key part of the management team.”

Given the significant operational risks associated with shoddy financials, Hatch advises other CEOs considering whether and with whom to outsource to assess whether in-house financial management is a competitive advantage. If it isn’t, he counsels partnering with an outsourced financial services provider to handle transactional level accounting and other related tasks -- and doing it early.

Lastly, he underscores the importance of choosing a firm that can scale with your business so that you make the decision once and don’t have to spend time, effort, and money down the road to find and transition to a new provider once your business grows.

What’s next for TechShop?

Now up to 150 full-time employees and 200 part-time staff, TechShop has gone from strength to strength. It generates \$12 million in revenue, a greater than ten times multiple over its \$800,000 run rate in 2010 during the early days of its partnership with EGFS. The company ranked #611 on the [2014 Inc. 5000 List](#) (along with EGFS at #797). Inc. also named TechShop the second fastest-growing company in San Jose that year.

Domestic expansion plans will likely see new TechShop locations open in Los Angeles, St. Louis, Missouri and several other cities over the next two years.

On the international front, the company is poised to open its first facility in France in partnership with French DIY and home improvement company Leroy Merlin as well as a facility in Abu Dhabi with the regional government’s Technology Development Committee.

With its existing competition consisting largely of one-off maker spaces, TechShop has made a strong start on its objective of becoming the world’s first \$1 billion international makerspace.

Would Hatch do it all over again? Yes, and he “would unequivocally recommend EGFS.”



About Early Growth Financial Services

EGFS provides outsourced financial services and support to companies at all stages of development. We offer a complete suite of solutions and support, from CFO services and high-level financial strategy to day-to-day accounting, taxes and valuation.

EGFS operates in Silicon Valley, San Francisco, Los Angeles, Austin, Chicago, Boulder, Seattle, Las Vegas, and New York City. With 475+ small to mid-sized businesses nationwide, EGFS clients include Indiegogo, Klout, SNAPCARD, GoodEggs, Enplug, OUYA, and OpenERP.

Do you need help with day-to-day accounting, strategic finance, 409A valuation, or tax services? Contact Early Growth Financial Services on 415-234-EGFS (3437) or contact@earlygrowthfinancialservices.com for a free 30-minute financial consultation.

